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United Cigar Stores Company of America

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Annual Report to Stockholders

Year Ended December 31, 1929

UNITED CIGAR STORES COMPANY OF AMERICA

44 West 18th Street
New York City

Annual Report to Stockholders

Year ended December 31, 1929

May 8, 1930.

To the Stockholders of
UNITED CIGAR STORES COMPANY OF AMERICA.

There is presented herewith the annual report of United Cigar Stores Company of America and subsidiary companies for the year ended December 31, 1929 comprising the following statements certified by Messrs. Price, Waterhouse & Co.:

Consolidated Balance Sheet as at December 31, 1929;

Consolidated Statements of Profit and Loss for the six months ended June 30, 1929 (as previously published in the Special Report to Stockholders, dated January 9, 1930), for the six months ended December 31, 1929 and for the entire year;

Consolidated Statement of Surplus for the period from June 30, 1929 to December 31, 1929.

As was stated in the Special Report to Stockholders dated January 9, 1930, the directors have been considering whether a readjustment of the Company's capital structure was not required in view of some of the items in the Company's balance sheet, particularly the item of $34,440,622 representing "good will and leaseholds". Of this item over $21,500,000 is "good will", nearly all of which dates back to the inception of the Company and represents the par value of securities issued in excess of the net tangible property acquired. The balance of this item represents the value of leaseholds set up at the inception of the Company or an appreciation therein subsequently taken up on the books. In view of the recent earnings record of the Company the directors feel that the item of good will is now probably largely in excess of the present value represented and that this fact, because of the Company's very small surplus, might amount to such a substantial impairment of the Company's capital as now constituted as to prevent or unduly defer the resumption of dividends out of current earnings. The directors are accordingly recommending to the Stockholders for their consent and approval at the annual meeting on May 28, 1930, a reduction in the Company's common capital to $1 per share of common stock now outstanding and thereafter the changing of such shares into shares of common stock without par value.

Such a recapitalization would permit the Company to adopt the more conservative practice of carrying good will, leaseholds and all other intangibles on the books of the Company at only $1. It is believed that this reduction in capital and the changing of the shares of common stock into shares without par value will be in the interests of all of the stockholders.

By order of the Board of Directors.

GEORGE K. MORROW,
Chairman.

UNITED CIGAR STORES
and Subsidi

CONSOLIDATED BALANCE

ASSETS

CURRENT ASSETS:			
Cash in banks, on hand and in transit		$ 4,826,514.76	
Call loans		1,700,000.00	
Marketable securities at cost (Market value December 31, 1929—$1,777,000.00)		1,526,645.61	
Notes receivable	$ 111,853.70		
Accounts receivable	2,289,719.72		
	$2,401,573.42		
Less—Reserve for bad debts	42,984.45	2,358,588.97	
Inventories at cost, less contingent reserve for unsalable merchandise		12,135,399.65	
			$22,547,148.99
INVESTMENTS AND ADVANCES:			
Securities of other companies		$ 6,920,617.21	
Advances to other companies		2,855,038.73	
Mortgages receivable		3,098,338.00	
Cash and securities held for employees' pension fund		219,051.27	
Debenture sinking fund cash and deposits for retirement of mortgages payable		55,653.19	
			13,148,698.40
REAL ESTATE:			
Land and buildings owned in fee, at cost, less reserve for depreciation of buildings and reserve for reduction to values at June 30, 1929 as appraised by company's real estate staff		$29,728,263.08	
Improvements to leaseholds, less amortization		7,300,153.04	
Store improvements and building construction in progress		505,550.23	
			37,533,966.35
FURNITURE, FIXTURES AND EQUIPMENT		$ 7,354,607.58	
Less—Reserve for depreciation		2,917,183.41	
			4,437,424.17
DEFERRED CHARGES:			
Prepaid insurance, taxes, etc.		$ 404,748.68	
Rents paid in advance		333,310.59	
Unamortized lease bonuses and commissions		1,047,384.47	
Unamortized discount on funded debt		543,676.20	
			2,329,119.94
GOODWILL AND LEASEHOLDS			34,440,622.00
			$114,436,979.85

We have examined the books and a
America and subsidiary companies for the
that, in our opinion, the above consolidat
of profit and loss and surplus have been
forth the financial position of the Compa
operations for the year.

56 Pine Street, New York
May 8, 1930

OMPANY OF AMERICA
Companies

EET—DECEMBER 31, 1929

LIABILITIES

CURRENT LIABILITIES:			
Notes payable to trade and real estate creditors		$ 1,006,134.71	
Accounts payable and sundry accruals		7,345,413.95	
Accrued interest on mortgages and debentures		447,271.36	
Provision for loss on guaranteed obligations		371,868.38	
Reserve for outstanding premium certificates		1,199,744.36	
Reserve for Federal income tax		100,000.00	
			$10,470,432.76
DEFERRED LIABILITIES AND RESERVES:			
Advance rentals and tenants' security deposits		$ 914,559.14	
Deferred discounts and participations of others in respect of mortgages receivable		152,188.26	
Reserves for building construction on leaseholds		155,327.09	
Reserve for employees' pension fund		219,051.27	
Reserve for contingencies		1,712,027.76	
			3,153,153.52
MINORITY INTEREST IN COMMON STOCK OF WHELAN DRUG CO., INC. AT STATED VALUE			5,000.00
FUNDED AND MORTGAGE DEBT:			
Twenty-year 5½% sinking fund gold debentures due 1949:			
Issued	$10,000,000.00		
Less—Retired through sinking fund and in treasury	224,500.00		
		$ 9,775,500.00	
Ten-year 6% convertible sinking fund gold notes due 1938, Whelan Drug Co., Inc.	$ 2,000,000.00		
Less—In treasury of United Cigar Stores Company	100,000.00		
		1,900,000.00	
Real estate mortgages		16,476,905.80	
			28,152,405.80
CAPITAL STOCK:			
Preferred 6% cumulative:			
Authorized—500,000 shares of $100 par value			
Issued—200,000 shares		$20,000,000.00	
Less—8,000 shares retired through purchase fund and in treasury		800,000.00	
			19,200,000.00
Common:			
Authorized—6,000,000 shares of $10 par value			
Issued—5,422,804.437 shares		$54,228,044.37	
Less—146,388.5 shares in treasury		1,463,885.00	
			52,764,159.37
SURPLUS, per Statement attached			691,828.40
			$114,436,979.85

nts of United Cigar Stores Company of
r ending December 31, 1929 and we certify
balance sheet and the attached statements
rrectly prepared therefrom and fairly set
at December 31, 1929 and the results of

PRICE, WATERHOUSE & CO.

UNITED CIGAR STORES COMPANY OF AMERICA
and Subsidiary Companies

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS
FOR THE YEAR 1929

	Six months ending June 30, 1929	Six months ending December 31, 1929	Year 1929
STORE OPERATIONS:			
Sales	$40,416,286.91	$44,262,270.72	$84,678,557.63
Cost of merchandise sold	28,641,931.18	32,408,738.22	61,050,669.40
Gross profit	$11,774,355.73	$11,853,532.50	$23,627,888.23
Other store operating income	2,032,713.01	2,059,534.32	4,092,247.33
Gross profit and other store operating income	$13,807,068.74	$13,913,066.82	$27,720,135.56
Store operating and depot expenses	$13,067,475.19	$12,540,406.51	$25,607,881.70
Administrative and general expenses	1,888,386.31	1,647,991.86	3,536,378.17
	$14,955,861.50	$14,188,398.37	$29,144,259.87
Result of store operations (*Loss*)	*$ 1,148,792.76*	*$ 275,331.55*	*$ 1,424,124.31*
PROPORTION OF LOSS OF HAPPINESS CANDY STORES, INC. AND ITS SUBSIDIARY COMPANIES APPLICABLE TO UNITED'S STOCKHOLDINGS IN THAT COMPANY	*$ 123,194.92*	*$ 62,270.46*	*$ 185,465.38*
REAL ESTATE AND FINANCIAL OPERATIONS:			
Profit on operation of fee and leasehold properties before charging interest on mortgages and debentures	$ 1,116,117.99	$ 1,215,521.96	$ 2,331,639.95
Interest on mortgages, call loans, bank balances, etc.	297,640.50	235,053.89	532,694.39
Profit on sale of securities, on basis of cost	170,828.88	2,811,300.77	2,982,129.65
Profit on mortgages sold or matured	27,418.88	28,820.31	56,239.19
Net profit on sales of leaseholds and real estate (as to the last six months' period based on company's appraised values of real estate)	7,999.05	55,947.93	63,946.98
Dividends received on securities	365,537.08	201,706.34	567,243.42
Miscellaneous income	.....	61,493.14	61,493.14
	$ 1,985,542.38	$ 4,609,844.34	$ 6,595,386.72
Less:			
Interest on real estate mortgages	$ 509,693.18	$ 475,291.04	$ 984,984.22
Interest on debentures and gold notes	312,882.95	331,893.75	644,776.70
Amortization of discount on twenty-year debentures, less profit on debentures retired through sinking fund	9,555.50	*215.02*	9,340.48
Interest on bank loans, tenants' deposits, etc.	115,146.18	101,173.24	216,319.42
Appropriated to reserve for contingencies	.....	149,851.40	149,851.40
Sundry charges	18,328.09	15,566.40	33,894.49
	$ 965,605.90	$ 1,073,560.81	$ 2,039,166.71
Result of real estate and financial operations	$ 1,019,936.48	$ 3,536,283.53	$ 4,556,220.01
Combined result before provision for Federal income tax	*$ 252,051.20*	$ 3,198,681.52	$ 2,946,630.32
Provision for Federal income tax	.....	100,000.00	100,000.00
Net *loss* or profit	*$ 252,051.20*	$ 3,098,681.52	$ 2,846,630.32

UNITED CIGAR STORES COMPANY OF AMERICA
and Subsidiary Companies

CONSOLIDATED STATEMENT OF SURPLUS
FOR THE SIX MONTHS ENDING DECEMBER 31, 1929

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Deficit, June 30, 1929, per Special Report to Stockholders, dated January 9, 1930	$ 776,286.01	
Net profit for six months ending December 31, 1929, per Statement attached	3,098,681.52	
Balance, surplus		$ 2,322,395.51
Add—Discount on 6% preferred stock retired through purchase fund		13,850.00
		$ 2,336,245.51
Less—Dividends paid:		
On 6% preferred stock, August 1, 1929	$ 288,900.00	
On common stock, October 1, 1929	1,355,517.11	1,644,417.11
Surplus December 31, 1929, per balance sheet		$ 691,828.40